

Message Text

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ORIGIN EB-03

INFO OCT-01 SS-14 ISO-00 NSC-07 NSCE-00 NEA-06 CIAE-00

INR-10 NSAE-00 RSC-01 INRE-00 PM-03 DODE-00 FEA-01

SCI-03 EUR-10 L-02 SAM-01 PRS-01 SP-01 SAB-01 SSO-00

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DRAFTED BY EB:ORF:FSE:WBWHITMAN:LED

APPROVED BY EB - TOENDERS

NEA/ARP - MR. LUMSDEN

NEA/ARP-MR DICKMAN

EB/ORF/FSE - MR. KATZ (PHONE)

FEA - MR CONANT

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O R 232351Z MAY 74

FM SECSTATE WASHDC

TO AMEMBASSY LONDON IMMEDIATE

AMEMBASSY KUWAIT PRIORITY

INFO AMEMBASSY ABU DHABI

AMCONSUL DHAHRAN

AMEMBASSY JIDDA

USMISSION OECD PARIS

AMEMBASSY TEHRAN

C O N F I D E N T I A L STATE 109112

LIMDIS

E.O. 11652: DECLASSIFY DEC 31, 1980

TAGS:ENRG

SUBJECT:KUWAIT BUY BACK NEGOTIATIONS

1. GULF REPRESENTATIVE IN WASHINGTON STATES THAT
ATIQU, GULF (WILEY), BP (STEELE), AND ENERGY MINISTER
LORD BALOGH WILL MEET IN LONDON ON MAY 24 TO DISCUSS
KUWAITI BUYBACK PRICE LEVELS. GULF HOWEVER IS DOUBTFUL
THAT THIS MEETING WILL HAVE A SIGNIFICANT EFFECT ON
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ATIQU'S STIFF POSITION ON PRICE LEVELS.

2. FEDERAL ENERGY ADMINISTRATOR SAWHILL HAS BEEN IN DIRECT TOUCH WITH GULF CHAIRMAN DORSEY AND OTHER GULF EXECUTIVES TO URGE THAT SETTLEMENT WITH GOK REMAIN UNDER 93 PERCENT OF POSTING AND THAT IF IT SHOULD BECOME NECESSARY TO GO AS HIGH AS 93 PERCENT, SETTLEMENT SHOULD BE ONLY TEMPORARY SO AS TO ALLOW FLEXIBILITY FOR POSSIBLE DOWNWARD PRICE ADJUSTMENTS IN FUTURE.

3. ACTING ASSISTANT SECRETARY OF STATE (EB) KATZ HAS ALSO DISCUSSED BUYBACK PRICE ISSUE WITH GULF MANAGEMENT AND WITH HMG. KATZ NOTED THAT ACCEPTANCE OF 93 PERCENT FORMULA IN THE BARGAINING PROCESS WOULD BOTH REINFORCE EXISTING UNREASONABLY HIGH PRICES AND CONFIRM FOR MANY IN EUROPE AND THE US THAT COMPANIES HAD BECOME MERELY TAX COLLECTORS FOR THE PRODUCERS. HE URGED STRONGLY THAT

GULF AND BP MOVE CAUTIOUSLY IN REACHING A PRICE DECISION WITH THE KUWAITIS.

4. FEDERAL ENERGY ADMINISTRATOR SAWHILL PLANS CONTACT ALL US MAJORS ON MAY 24 TO EMPHASIZE OUR VIEW THAT CONSUMER COUNTRY AND US INTERESTS WOULD BE BEST SERVED BY AWAITING OUTCOME OF EVENTUAL PRICE ARRANGEMENTS TO BE CONCLUDED BETWEEN SAUDI ARABIA AND ARAMCO. US MAJORS SHOULD THEREFORE EXERCISE RESTRAINT IN ANY PRICE NEGOTIATIONS THEY MAY UNDERTAKE. HOLDING IMPORTANT PRICING DECISIONS IN ABEYANCE WOULD ALSO GIVE DOWNWARD PRESSURES ON OIL PRICES AN OPPORTUNITY TO MANIFEST THEMSELVES.

5. FOR LONDON: PLEASE ADVISE HMG THAT SAWHILL WILL AGAIN BE APPROACHING GULF ABOUT KUWAIT PRICE NEGOTIATIONS AND SUGGEST THAT THEY MAY WISH TO REITERATE THEIR OWN HARD LINE POSITION TO BP. RUSH

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, NEGOTIATIONS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 23 MAY 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GarlanWA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE109112
Document Source: CORE
Document Unique ID: 00
Drafter: ORF:FSE:WBWHITMAN:LED
Enclosure: n/a
Executive Order: AS 19801231
Errors: N/A
Film Number: D740130-0084
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740522/aaaaatcd.tel
Line Count: 96
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GarlanWA
Review Comment: n/a
Review Content Flags:
Review Date: 24 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 APR 2002 by kellew0>; APPROVED <04 MAR 2003 by GarlanWA>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: UWAIT BUY BACK NEGOTIATIONS
TAGS: ENRG, KU, GULF, (SAWHILL), (BALOGH), (KATZ)
To: LONDON KUWAIT
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005